

Special Valuation Program for Historic Properties

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Process for Applying for the Special Tax Valuation Program

Make sure your building qualifies: To be eligible, buildings must be listed on the Wenatchee Register of Historic Places either individually or as a **contributing** building within a local historic district. If not listed, the building must be nominated and designated as a landmark *PRIOR* to approval of Special Tax Valuation.

Make sure your project qualifies: Expenses related to new construction or additions, overhead costs, furniture and other moveable items, and most appliances do not qualify. Design costs, permit fees, mechanical, plumbing, fixtures, electrical and other hard costs generally do qualify.

Do the work: You may include qualified expenses for up to 24 consecutive months. Both interior and exterior work to registered historic properties requires review by the Historic Preservation Office and Board.

Step I: Filing an Application

Following completion of the project, contact the Historic Preservation office for assistance on submitting your application for Special Valuation. This form can also be obtained from the Chelan County Assessor. Generally, the application should be submitted as soon as a project is complete and no later than October 1 to be processed that year.

By the time applications are filed, owners will already have received their property tax notifications for the following year's taxes. The Assessor does not implement the special valuation tax costs until the following year after that notice. For example, if an application is filed on October 1, 2006, the costs declared for an historic property will not be reflected until the 2008 tax year.

Step II: Certification of Project Costs

The final costs for a project must be "certified" by the Historic Preservation Board. If costs for the project will be incurred following the application date, those costs can be included in both the application and the final cost for certification. For example, if additional work is going to be completed in October, November or December after the two year period, a bid price can be declared and final costs for that work can be reflected on the certification paperwork. The application advises the Assessor of your project so they can begin their process for adjusting the taxes on your process. The certification by the Board as well as the Agreement (see Step III) are filed before December 31.

Step III: Entering Into Agreement with Historic Preservation Board

Property owners filing for Special Valuation are required to "agree" to maintaining the property historically for future years and continuing to work with the Historic Preservation Office and Board on any future restoration projects on their historic structure.

This Agreement as well as the Certification and Application are recorded at the Auditor's office and are "attached" to the property's title information. If the property is sold while Special Valuation is in effect, the "benefit" of lower property taxes goes to the next property owner who is required to comply with the Agreement. If the new property owner does not comply, they will be required to pay back the reduced taxes with a 12% penalty charge.

For a copy of the Agreement, contact the Historic Preservation Office.

GUIDELINES REGARDING SPECIAL TAX VALUATION ELIGIBLE EXPENSES

Costs that are general eligible for Special Tax Valuation must meet the definitions for “actual cost of rehabilitation” specified in WAC 254-20-030 and the IRS definition for “Qualified Rehabilitation Expenditures”

For the purposes of Special Tax Valuation, “Qualified Rehabilitation Expenditures” generally include:

1. Direct construction costs
2. Certain soft costs including:
 - Architectural and engineering fees
 - Construction permit fees
 - Development management fees,
 - Construction loan interest and fee
 - Utilities, taxes and insurance for the construction period
 - State sales tax

Qualified Rehabilitation Expenditures generally do not include:

1. Any costs related to acquisition of the property
2. Any expenditure attributable to enlargement of the building; except to make the building fully usable (i.e., add a bathroom or a kitchen if it does not already exist)
3. Any costs of valuation and permanent financing of the property
4. Overhead costs or other “costs of doing business”

Examples of Expenses that Do and Do Not Qualify

In addition to the above list, the table to the right provides a limited overview of certain categories of items purchased during renovations that have been determined by the Wenatchee Historic Preservation Board to generally meet or not meet the definition of Qualified Rehabilitation Expenses, based upon the Washington State and IRS guidelines.

This list is not exhaustive and does not supersede the authority of the Board to consider applications on a case-by-case basis. It is intended to provide guidance to applicants for the preparation of applications.

WAC 254-20-030

“Actual cost of rehabilitation” means costs incurred within twenty-four months prior to the date of application and directly resulting from one or more of the following:

- (a) Improvements to an existing building located on or within the perimeters of the original structure; or
- (b) Improvements outside of but directly attached to the original structure which are necessary to make the building fully useable but shall not include rentable/habitable floor space attributable to new construction; or
- (c) Architectural and engineering services attributable to the design of the improvements; or
- (d) All costs defined as “qualified rehabilitation expenditures” for purposes of the federal historic preservation investment tax credit.

The definition used by the IRS for “qualified rehabilitation expenditures” includes: *“In general, the term “qualified rehabilitation expenditures” means any amount properly chargeable to capital account...AND...does not include -*

- (ii) *COST OF ACQUISITION - the cost of acquiring any building or any interest therein.*
- (iii) *ENLARGEMENTS - Any expenditure attributable to the enlargement of the existing building except attachments to make the building fully usable.*

ITEMS <i>GENERALLY</i> ELIGIBLE	ITEMS <i>GENERALLY</i> NOT ELIGIBLE
Furnishings	
Water heaters Furnaces Other mechanical: HVAC, A/C units, ventilation, blowers, etc.	Portable countertop appliances (such as a toaster oven) Washers and Dryers Commercial kitchen appliances Home electronics (stereo, TV, CCTV, etc.) Kitchen Appliances <ul style="list-style-type: none"> • Refrigerators • Range-ovens • Cook top ranges • Drop-in ranges • Wall Ovens • Dishwashers • Range Hoods
Furnishings	
Built-ins Cabinetry Shelves Window seats/hooks	Moveable furniture, Drapery, blinds, chairs, sofas, beds, tables, islands (if not permanently affixed to the floor)
Plumbing and Electrical	
Supplies and materials Fixtures Faucets, sinks Light fixtures Required exterior work (sewer lines, etc. but not replacement lines) Fire suppression systems and other code-related requirements	Security and alarm systems (i.e. CCTV) Table or floor lamps
Landscaping	
Site work necessary for rehabilitation (including clearing, disposal, stabilization restoration) Site work for utilities and foundation work Landscape stabilization	(NOTE: If site is specifically landmarked, then landscape design and plantings MAY be included). Plants, soil amendments, etc. Landscape design work Accent Lighting Sprinkler systems

SPECIAL VALUATION OUTLINE FOR RECORDING COSTS

Approved costs for restoration, rehabilitation or retrofitting work may be incurred within a consecutive 2-year time period before filing with the County Assessor.

- The application for filing with the County is due by October 1.
- All final paperwork and forms with final costs are due by December 31st.

Ineligible costs are for those expenses not directly associated with the structure.

- Costs for the structure are typically those from the foundation up.
- Special consideration for landscaping costs, plumbing from the street to the house will be reviewed by the Historic Preservation Board, but typically are not eligible.
- Paving for walks or driveways are not eligible expenses.

INFORMATION NEEDED FOR RECORDING COSTS:

Record expenses with the following information. List contractors separately from store receipts. Store receipts can be compiled by the job, for instance for “bathroom plumbing charges” (see examples below)

DATE	PAID TO	FOR TYPE OF JOB	COST
(Date item was purchased or date paid to contractor)	Store or others	What was the job or for what part of the project?	What was the cost?

Example:

An item can be listed separately or for payments to someone (like a contractor)

June 1, 2005	XYZ Plumbing	Labor & materials – 1 st floor bathroom fixtures	\$850
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Example:

Or costs can be consolidated by store for several aspects of a project – mark all receipts for what the materials were for and delete any expenses not for the project.

6-30-05-09-15-07	Lowe's	Supplies and materials, paint and supplies for bathroom project	\$1,500
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Example of costs:

- Materials used to perform the job – paint, consumable products like gloves, strippers, tape, etc., specific parts and materials used to complete the job.
- Actual items put into the home – light fixtures, heating/cooling units, plumbing fixtures, permanent flooring such as lineoleum, wood, tile, wall to wall carpet
- Fees for permits, costs for labor, contractor's fees, architectural or other consultant fees

KEEP YOUR RECEIPTS!

- Receipts for expenses will need to be examined by the Preservation Officer prior to completing the application and final paperwork.
- The Wenatchee Historic Preservation Board “certifies” the expenses and sign off on the forms that are filed with the Auditor. The Preservation Officer has to interpret the costs and be able to explain them to the board.
- The more information provided in the form of receipts and a listing will assist in your application being processed by the due dates.
- It is critical that property owners involve the Historic Preservation Officer in the early stages of a project. **Contact the Historic Preservation Office early in your process at 888-6243.**
- No building already listed on the Wenatchee Register of Historic Places either individually or as part of an historic district should start a project before reviewing the project with the Preservation Officer and/or the City of Wenatchee Building Department. If a permit is required for a project, it will not be issued until the project is reviewed and approved by the Historic Preservation Board.